

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 752 - HB 629

March 8, 2013

SUMMARY OF BILL: Authorizes the county clerk of Robertson County to implement a pilot project to prohibit the issuance or renewal of a motor vehicle registration unless the application is accompanied by evidence that the requirements of the Tennessee Financial Responsibility Law have been met, and that the applicant has a valid Tennessee driver license. Terminates the pilot project on December 31, 2016, if implemented, and requires the county clerk to report by February 1, 2017, to the Senate Transportation and Safety Committee on the efficacy of the pilot program.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact –

\$16,700/Each Year FY13-14 through FY15-16

\$8,400/FY16-17

Decrease Local Revenue – \$237,300/Each Year FY13-14 through FY15-16

\$118,700/FY16-17

Assumptions:

- For the purposes of this fiscal note, the pilot project is assumed to be implemented.
- Based on data provided by the Department of Revenue (DOR), it is reasonably estimated there are approximately 58,000 motor vehicles currently registered and subject to annual renewal in Robertson County.
- Based on the statewide rate, the uninsured motorist rate in Robertson County is estimated to be 24 percent, or 13,920 motorists (58,000 x 24.0%).
- It is estimated that 60 percent of uninsured motorists, or 8,352 (13,920 x 60.0%), will be able to acquire appropriate levels of insurance and will be able to obtain or continue renewing their motor vehicle registrations. As a result there will be a recurring increase in state revenue derived from additional insurance premium taxes as 8,352 individuals acquire insurance.
- Pursuant to Tenn. Code Ann. § 56-4-205(a), the gross premium tax is a 2.5 percent tax on gross insurance premiums. Assuming an average annual premium of \$300 for the minimum required level of liability insurance, the recurring state increase in gross premium tax revenue is estimated to be \$62,640 (8,352 x \$300 x 2.5%).

- Of the remaining 40 percent, or 5,568 (13,920 – 8,352), 50 percent, or 2,784 (5,568 x 50.0%), will not be able to acquire or maintain adequate insurance and will not be able to renew or maintain motor vehicle registrations, thus resulting in a recurring decrease in motor vehicle registration fee revenue.
- The average registration fee among all class codes is estimated to be \$28.50 per vehicle; Roberson county wheel tax is equal to \$85.25 per vehicle.
- The recurring decrease in state revenue attributable to reduced registration fees is estimated to be \$79,344 (2,784 x \$28.50).
- The recurring decrease in local government revenue attributable to reduced registration fees is estimated to be \$237,336 (2,784 x \$85.25).
- The remaining 50 percent, or 2,784 (5,568 x 50.0%), will acquire insurance for the purpose of initially obtaining motor vehicle registrations, but will subsequently and repeatedly lapse in making premium payments, causing insurance companies to terminate their policies. However, those individuals' motor vehicle registrations will not be automatically revoked and such individuals will be able to continuously acquire motor vehicle registrations by initially obtaining adequate insurance coverage.
- The net recurring decrease in state revenue, for years FY13-14 through FY15-16, is estimated to be \$16,704 (\$79,344 - \$62,640). Since the project will be terminated on December 31, 2016, the decrease in state revenue in FY16-17 is estimated to be \$8,352 (\$16,704 x 50.0%).
- The total recurring decrease in local revenue, for years FY13-14 through FY15-16 is estimated to be \$237,336. The decrease in local revenue in FY16-17 is estimated to be \$118,668 (\$237,336 x 50.0%).
- Any impact on fine revenue for violations for driving without adequate insurance or with a revoked motor vehicle registration is estimated to be not significant.
- Any increase in expenditures for the county clerk of Robertson County to implement the project and report the efficacy of the program is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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